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## **INTRODUCTION**

West Midland Family Center (WMFC) entered into contracts with the Michigan Family Independence Agency (FIA) to provide at risk families with the Wraparound Education program in Midland County. The 1999 and 2000 contract numbers were SFSC 99-56002 for \$111,500 and SFSC 00-56002 for \$112,000. SFSC 99-56002 was funded by the Family Preservation Support Program (CFDA# 93.556). SFSC 00-56002 was funded by CFDA #93.556, and by the Temporary Assistance to Needy Children Program (TANF) (CFDA #93.558). Collectively, these contracts covered the period October 1, 1998 through September 30, 2000. FIA reimbursed WMFC for its actual costs incurred in providing the services, based on billings WMFC submitted to FIA.

## **SCOPE**

The Office of Internal Audit performed an audit of WMFC to determine if they complied with the terms of their contracts with FIA, and if billings submitted to FIA were based on actual, allowable costs that were supported by proper documentation. Our audit covered the period from October 1, 1998 through June 26, 2000, and included a review of WMFC's billings, payments, accounting records, supporting documentation and client case records. Our audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

## **EXECUTIVE SUMMARY**

Based on our audit, we concluded that WMFC was not in compliance with some of the provisions of its contract with FIA, and standards, policies and regulations established by FIA and Federal guidelines. We also determined that costs charged under the Specific Assistance to Individuals line item were not appropriate charges for that line item. Our report recommends that the Field Operations Administration (FOA) ensure that WMFC bills actual costs in the appropriate line items for the current and future contracts. Specific findings and recommendations follow.

## **AGENCY RESPONSE**

West Midland Family Center indicated in a letter dated November 17, 2000 that they are in general agreement with this report, and have made the recommended changes in their billing procedures. They also stated that they had not billed actual costs because they knew that their total costs would far exceed the amount they were reimbursed by FIA. However, they are now billing actual costs in accordance with the terms of the contract.

## **FINDINGS AND RECOMMENDATIONS**

### **Contract # SFSC-99-56002**

1. WMFC did not always prepare their billings to FIA in accordance with the requirements of the contract or the contract budget detail. They billed 1/12 if the contract budget each month for the first 8 months of the contract, and then adjusted to bill for actual costs in the last 4 months of the contract. WMFC billed the total amount of the contract. Their actual costs incurred for the program exceeded the amount they billed. Therefore, no adjustment is necessary.

One of the situations where WMFC did not bill in accordance with the contract budget detail was in the Specific Assistance to Individuals Line Item. WMFC billed for pizzas purchased for group meetings and gas for their vans to transport clients to the meetings. The instructions in the Contract Budget Detail define specific assistance as: "The dollar amount of money or other items of value purchased for a specific client and given to that client as part of service delivery." Pizza for meetings should be charged to the Miscellaneous Line Item and gas for the vans should be charged to the Transportation Line Item.

WMFC also incurred expenses that were allowable under the Specific Assistance to Individuals Line Item, however, the need for these items was not documented in the written progress report and approved in writing, as required by the contracts.

WE RECOMMEND that the Field Operations Administration (FOA) advise WMFC that costs charged to the Specific Assistance to Individuals line item must only be for money or items purchased specifically for a client.

WE ALSO RECOMMEND that FOA ensure that WMFC complies with contract requirements to ensure that all specific assistance expenses are properly approved and documented.

WE FURTHER RECOMMEND FOA monitor to ensure that WMFC bills only actual costs incurred each month of the contract year.

Actual Costs – Contract # SFSC-00-56002

2. WMFC did not bill for actual costs incurred each month for contract #SFSC-00-56002, and billed for salary costs that exceeded the contract budget for certain positions. As a result, they had overbilled Salaries by \$79.63, underbilled Fringe Benefits by \$28.81, underbilled Specific Assistance by \$2,035.59, and overbilled Miscellaneous by \$71.72 as of April 30, 2000 (See Schedule A audited costs by line item as of April 30.)

WE RECOMMEND FOA work with WMFC to ensure that they bill for actual costs incurred in accordance with the contract budget.

### Improper Charges to Specific Assistance

3. WMFC billed \$1,638.65 for pizzas for group meetings and \$519.03 for gas for their vans to transport clients to the meetings to the Specific Assistance to Individuals Line Item. These items do not meet the definition of specific assistance provided in the Contract Budget Detail, and should have been charged to the Miscellaneous and Transportation Line Items. Contract #SFSC-00-56002 did not have a Transportation Line Item.

WE RECOMMEND that FOA determine if contract #SFSC-00-56002 should have a Transportation Line Item, and instruct WMFC to revise their billings accordingly.

### FRIENDS Program in Contracted Services

4. The contracts, SFSC 99-56002 and SFSC 00-56002, both state that WMFC will provide a service called the FRIENDS Program. This service was actually being provided by the North Midland Family Center (NMFC). WMFC paid NMFC to provide this service in north Midland County. The contracts were never changed to reflect who was providing the services. WMFC should amend the contract to identify who is providing the service.

WE RECOMMEND FOA instruct WMFC to indicate the actual provider of the service in its future contracts.

Line Item	Budget Amount	Allowable Amount	Amount Billed	(Over)/Under Billed
Salaries	\$88,705.00	\$57,602.13	\$57,681.76	(\$79.63)
Fringe Benefits	\$7,014.00	\$4,613.93	\$4,585.12	\$28.81
Contracted Services	\$4,430.00	\$3,000.00	\$3,000.00	
Specific Assistance	\$10,631.00	\$1,939.30	\$2,061.39	(\$122.09)
Transportation		\$519.03	\$0.00	\$519.03
Miscellaneous	\$1,220.00	\$1,638.65	\$71.72	\$1,566.93
<b>TOTAL</b>	<b>\$112,000.00</b>	<b>\$69,313.04</b>	<b>\$67,399.99</b>	<b>\$1,913.05</b>